

COMSYS Holdings Corporation

Consolidated Financial Results for the Third Quarter Ended December 31, 2017 Under Japanese GAAP

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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 1721)
 URL: <http://www.comsys-hd.co.jp>
 Representative: Takashi Kagaya, President and Representative Director
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 Scheduled Filing of Quarterly Securities Report: February 8, 2018
 Scheduled Commencement of Dividend Payment: —
 Supplementary Materials on Quarterly Results: Attached
 IR Presentation on Quarterly Results: Not scheduled

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the nine months ended December 31, 2017)

(1) Consolidated Operating Results

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Recurring Profit		Net Income Attributable to Owners of Parent	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Nine months ended December 31, 2017	¥243,610	18.9%	¥16,838	53.0%	¥17,115	52.3%	¥11,755	63.8%
Nine months ended December 31, 2016	204,903	1.7	11,007	(3.0)	11,234	(3.8)	7,178	(1.6)

Notes: 1. Comprehensive income: Nine months ended December 31, 2017: ¥13,091 million [69.4%] Nine months ended December 31, 2016: 7,727 million [(0.7)%]

2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Nine months ended December 31, 2017	¥103.28	¥102.87
Nine months ended December 31, 2016	64.08	63.87

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2017	¥294,902	¥224,677	75.7%
As of March 31, 2017	284,367	202,943	70.9

(Reference) Shareholders' Equity: As of December 31, 2017: ¥223,100 million As of March 31, 2017: ¥201,717 million

2. Cash Dividends for Shareholders of Common Stock

(Yen)

	Cash Dividends per Share over the Fiscal Year				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual
Year ended March 31, 2017	¥ —	¥20.00	¥ —	¥20.00	¥40.00
Year ending March 31, 2018	—	25.00	—		
Year ending March 31, 2018 (Forecast)				25.00	50.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2018)

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Recurring Profit		Net Income Attributable to Owners of Parent		Net Income per Share
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	
Year ending March 31, 2018	¥380,000	13.7%	¥28,500	13.8%	¥29,100	14.8%	¥20,000	38.1%	¥175.71

Notes: 1. Most recently announced revisions to consolidated earnings forecast: No

2. Percentages indicate the percentage change from the previous fiscal year.

***Notes:**

(1) Changes in significant subsidiaries during the period under review (changes to subsidiaries that would alter the scope of consolidation): No

(2) Adoption of accounting methods specific to quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

a) Changes in accounting policies due to revisions of accounting standards: No

b) Changes in accounting policies due to other reasons: No

c) Changes in accounting estimates: No

d) Restatements of prior period financial statements due to error correction: No

(4) Number of shares issued (common stock)

	As of December 31, 2017	As of March 31, 2017
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	25,665,479 shares	31,865,224 shares
	Nine months ended December 31, 2017	Nine months ended December 31, 2016
c) Average number of shares issued in the period	113,822,640 shares	112,032,279 shares

**This Consolidated Financial Results report is not subject to quarterly review procedures.*

****Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items***

Forward-looking statements including earnings forecasts contained in this document are based on certain reasonable assumptions and beliefs in light of information currently available to management. Readers are advised that actual results may differ materially from forecasts due to a variety of factors. With respect to the conditions that underpin earnings forecasts as well as cautionary statements regarding the proper use of earnings forecasts, please refer to “(3) Discussion of Forward-Looking Information, including Consolidated Earnings Forecasts” under “1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review” of this Consolidated Financial Results report in the Accompanying Materials section on page 3.

Accompanying Materials

1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review

(1) Discussion of Operating Results

During the cumulative third quarter period (April 1, 2017 to December 31, 2017) of the fiscal year ending March 31, 2018, the Japanese economy maintained a moderate recovery, including improvements in corporate earnings and the employment environment, due in part to the effects of various policies implemented by the Japanese government and the Bank of Japan. However, due to uncertainty in the economy overseas, such as the economic outlook for emerging countries in Asia, particularly China, and the effect of policy trends in the U.S., there continued to be concerns over the impact these issues will have on the Japanese economy.

In the information and communications field, the COMSYS Group's principal area of activity, the construction of mobile networks was promoted to accommodate the sharply increasing, higher-volume traffic accompanying the diversification and added functionality of smartphones and tablets. Moreover, both the public and private sectors anticipate innovation utilizing information and communication technology (ICT), including IoT and AI, and expanded social infrastructure investment aimed at policies for building national resilience, development of the environment and energy business, and preparation for the Tokyo Olympics and Paralympic Games.

The COMSYS Group took initiatives for top-line expansions, which included entering the ecological innovation business, particularly solar power construction projects, venturing into new business domains in response to the rise in public-sector and ICT investment aimed at the development of a smart society, and through M&A activities, acquired a company and turned it into a consolidated subsidiary. Moreover, the Group worked to improve profit by transferring personnel to growth businesses and implementing measures such as increasing construction efficiency and cutting costs.

Under these circumstances, orders received in the third quarter period increased 5.4% year on year to ¥291,169 million, and net sales rose 18.9% to ¥243,610 million.

From a profit perspective, operating income increased by 53.0% year on year to ¥16,838 million, while net income attributable to owners of the parent increased 63.8% to ¥11,755 million.

(2) Discussion of Financial Position

Total assets as of December 31, 2017 amounted to ¥294,902 million, up ¥10,535 million compared with the end of the previous fiscal year. This was mainly attributable to an increase in goodwill due to the acquisition of a consolidated subsidiary. Liabilities decreased ¥11,198 million compared with the end of the previous fiscal year, to ¥70,225 million. This was largely attributable to a decrease in accounts payable – trade.

Net assets increased by ¥21,733 million compared with the end of the previous fiscal year, to ¥224,677 million. This was primarily attributable to an increase in additional paid-in capital and a decrease in treasury stock associated with the share exchange in the acquisition of a consolidated subsidiary.

In accordance with each of the aforementioned factors, the equity ratio stood at 75.7%, compared with 70.9% at the end of the previous fiscal year.

(3) Discussion of Forward-Looking Information, including Consolidated Earnings Forecasts

Turning to the consolidated earnings forecast for the full fiscal year ending March 31, 2018, there have been no changes from the figures stated in “COMSYS HD Announces Revision of Earnings Forecasts” published on August 4, 2017 (Available in Japanese only).

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2017	As of December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	20,961	31,220
Notes and accounts receivable—trade	114,322	74,369
Inventories:		
Accumulated cost of construction in progress	19,617	39,369
Other	595	761
Other current assets	11,703	8,597
Less: Allowance for doubtful receivables	(34)	(37)
Total current assets	167,166	154,281
Fixed assets:		
Property and equipment:		
Buildings and structures, net	28,942	31,078
Land	40,186	48,050
Other, net	17,840	22,627
Total property and equipment	86,968	101,756
Intangible fixed assets		
Goodwill	666	6,245
Other intangible fixed assets	4,002	4,242
Total intangible fixed assets	4,669	10,487
Investments and other assets:		
Investment securities	11,154	13,086
Other assets	15,994	16,097
Less: Allowance for doubtful receivables	(1,585)	(806)
Total investments and other assets	25,563	28,377
Total fixed assets	117,201	140,621
Total assets	284,367	294,902

	Millions of yen	
	As of March 31, 2017	As of December 31, 2017
LIABILITIES		
Current liabilities:		
Accounts payable—trade	55,577	39,778
Short-term bank loans	113	107
Income taxes payable	2,088	1,407
Advances received on construction in progress	1,291	4,888
Allowances	504	711
Other current liabilities	11,712	9,603
Total current liabilities	71,289	56,497
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,369	1,369
Net defined benefit liability	4,355	7,589
Allowance for directors' retirement benefits	257	243
Other long-term liabilities	4,152	4,525
Total long-term liabilities	10,134	13,727
Total liabilities	81,423	70,225
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	52,525	60,862
Retained earnings	186,195	192,779
Treasury stock, at cost	(41,028)	(35,868)
Total shareholders' equity	207,692	227,773
Accumulated other comprehensive income (loss):		
Unrealized gain on other securities	2,666	3,919
Unrealized loss on land revaluation	(7,990)	(7,990)
Remeasurements of defined benefit plans	(650)	(602)
Total accumulated other comprehensive income (loss)	(5,974)	(4,673)
Subscription rights to shares	578	467
Non-controlling interests	647	1,109
Total net assets	202,943	224,677
Total liabilities and net assets	284,367	294,902

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	Millions of yen	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	204,903	243,610
Cost of sales	178,585	209,923
Gross profits	26,317	33,686
Selling, general and administrative expenses	15,309	16,848
Operating income	11,007	16,838
Other income:		
Interest income	12	11
Dividend income	172	215
Rent income on noncurrent assets	70	113
Other	97	193
Total other income	352	533
Other expenses:		
Interest expenses	6	5
Provision for allowance for doubtful receivables	12	122
Rent expenses	35	54
Depreciation of idle assets	26	23
Other	45	50
Total other expenses	126	256
Recurring profit	11,234	17,115
Extraordinary income:		
Gain on sales of fixed assets	18	10
Gain on sales of investment securities	161	0
Reversal of allowance for doubtful receivables	—	913
Gain on exchange from business combination	84	—
Other	31	9
Total extraordinary income	296	933
Extraordinary loss:		
Loss on disposal of fixed assets	45	29
Loss on impairment of fixed assets	378	30
Special payments on employees' retirement benefits	94	79
Other	113	58
Total extraordinary loss	633	197
Income before income taxes and other adjustments to net income	10,897	17,850
Income taxes:		
Current	2,813	4,534
Deferred	889	1,531
Total income taxes	3,703	6,066
Net income	7,193	11,784
Net income attributable to non-controlling interests	14	28
Net income attributable to owners of parent	7,178	11,755

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net income	7,193	11,784
Other comprehensive income:		
Unrealized gain on other securities	386	1,258
Remeasurements of defined benefit plans	147	48
Total other comprehensive income	533	1,306
Comprehensive income	7,727	13,091
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,710	13,057
Comprehensive income attributable to non-controlling interests	16	33

(3) Important Notes on Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes on Material Changes in Shareholders' Equity)

The balance of additional paid-in capital at the end of the third quarter period was ¥60,862 million, an increase of ¥8,337 million from the end of the previous fiscal year. The balance of treasury stock was ¥35,868 million, a decrease of ¥5,159 million from the end of the previous fiscal year. The primary reasons for these changes are as follows.

(1) Share Exchange

Effective July 1, 2017, the Company delivered 7,923,000 shares of treasury stock in a share exchange to make the Company the wholly owning parent company in the share exchange and Kando Co., Ltd. the wholly owned subsidiary in the share exchange. As a result, additional paid-in capital at the end of the third quarter period increased by ¥8,009 million, and treasury stock decreased by ¥10,317 million.

(2) Acquisition of Treasury Stock

In accordance with the resolution of the meeting of the Board of Directors held on May 9, 2017, the Company acquired 1,957,000 shares of treasury stock in the period from May 10, 2017 up to November 29, 2017. In addition, in accordance with the resolution of the meeting of the Board of Directors held on November 7, 2017, the Company acquired 253,000 shares of treasury stock in the period from November 8, 2017 up to December 31, 2017. As a result, treasury stock increased by ¥5,799 million during the cumulative third quarter period (April 1, 2017 to December 31, 2017)